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SUBJECT: DRC MAY MONTHLY ECONOMIC REVIEW

REF: KINSHASA 579

1. (U) Summary.

- The GDRC has not yet promulgated a 2007 budget, though a draft budget of USD 2.137 billion is currently being debated in Parliament.
- An IMF team is in Kinshasa to consult with the GDRC on its progress toward possible implementation of a new economic program.
- The GDRC replaced the management team of MIBA (DRC's diamond mining parastatal), and its employees ended their strike.
- Gecamines employees threatened to strike over salary and benefits.
- The GDRC's review of 63 mining contracts is expected to begin in June.
- Consumer prices rose by 1.26 percent in May, according to the IMF. The Congolese Franc (CF) appreciated by nearly ten percent. End summary.

Aviation

2. (U) A small aircraft reportedly carrying minerals to Goma crashed May 17 in Walikale, North Kivu, and three persons on board died.

Budget/Finance

3. (U) The GDRC presented a draft 2007 USD 2.137 billion budget to the Parliament for debate and vote. 40 percent of revenues would come from external sources, with a funding gap of about USD 87 million.

4. (U) An IMF consultation team arrived in the DRC May 23 to review the GDRC's progress on the informal advisory program and determine the feasibility of beginning negotiations to implement a new economic reform program.

5. (U) The DRC's Central Bank reserves rose from USD 162 million in April to about USD 190 million at the end of May.

6. (U) The Minister of Finance Athanase Matenda led a GDRC delegation to Shanghai for the annual African Development Bank meeting held May 16-18.

7. (U) Representatives from the DRC's 11 provinces met in Matadi, Bas-Congo to discuss decentralization. The group issued a statement recommending retention of 40 percent of the national revenue generated within each province. (Details to follow septel.)

Energy

¶18. (U) Following recent swings in the exchange rate, an interministerial commission increased the price of gasoline on May 11 from 510 Congolese Franc (CF) per USD to USD 580 CF/USD and reduced it to 550 CF/USD effective June 1.

¶19. (U) South African-based Engen Petroleum Limited has announced the purchase of 60 percent of the shares of Shell DRC and 13 percent of SEP-Congo (DRC's petroleum import and distribution parastatal). Shell has retail and commercial operations in the DRC. Engen already has a presence in the DRC via a joint-venture with French company TotalFinaElf and the GDRC. The GDRC has not yet approved the transaction.

Labor

¶10. (U) Employees of MIBA (the DRC's diamond mining parastatal) in Mbuji-Mayi, Eastern Kasai suspended their strike after the Minister of Portfolio paid their April salaries and replaced the company's chief executives (septel).

¶11. (U) Gecamines employees in Lubumbashi, Katanga went on strike briefly in May to demand payment of salary arrears and support for their schools and hospitals.

¶12. (U) Employees of OFIDA (DRC's customs agency) negotiated at least a short-term resolution of their salary and bonus grievances, averting a strike. However, OFIDA (DRC's customs agency) staff in Katanga, who have also threatened to strike, have not received a

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response to their complaints about remission of a portion of their pay bonuses to Kinshasa.

Natural Resources

¶13. (U) The GDRC's review of 63 joint-venture mining agreements has not yet begun (reftel).

¶14. (U) A DRC association of industrial lumber producers publicly objected to Greenpeace's April 2007 report on the DRC's lumber industry.

Trade and Investment

¶15. (U) According to local media, a Chinese lumber company known as Shushang is discussing with DRC officials the possibility of supplying Mbandaka, Equateur province with electrical power.

¶16. (U) British company Crown Agents is reportedly nearing an agreement with the GDRC to assist with customs reform.

Consumer Inflation Rate

¶17. (U) According to the IMF, May consumer prices increased by 1.26 percent from April.

Exchange Rate

¶18. (U) The CF appreciated by more than nine percent against the USD in May, beginning the month at an official exchange rate of 546 CF/USD and ending the month at 495 CF/USD. The CF appreciated from an average of 530 CF/USD on May 1 to 480 CF/USD on May 31 on the Kinshasa parallel market.

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